

Long-term assets (8)

Finance



Long-Term Assets (Assignment 8) of your company Pentair, Inc. Identify the changes in your firms long-term asset accounts that occurred during the most recent accounting period. You will probably have to search the footnotes to obtain some of the specific account information requested. Blank spaces have been provided for you to write in any additional items that appear in your companys Annual Report or SEC 10-K under long-term assets.

Long-term Assets

Amount on Most Recent Balance Sheet

Amount at End of Prior Year

Net Change in Dollars

Net Change in Percent

Machinery and equipment

-

-

-

-

Buildings (and leasehold improvements)

-

-

-

-

Land

-

-

-

-

Other

-

-

-

-

Other

-

-

-

-

Other

-

-

-

-

Less: Accumulated depreciation

-

-

-

-

Net* Property, Plant and Equipment

393, 335

387, 525

5, 810

1. 50%

Construction in progress

-
-
-
-

Deferred tax assets

-
-
-
-

Long-term receivables

-
-
-
-

Long-term investments

-
-
-
-

Excess of cost over net assets of acquired companies, i. e., goodwill

-
-
-
-

Patents, copyrights, and trademarks

-

-

-

-

Other (goodwill)

2, 297, 175

2, 273, 918

23, 257

1. 02%

Other (Intangibles, net)

594, 929

592, 285

2, 644

0. 45%

Other

103, 560

94, 750

8, 810

9. 30%

Total long-term assets

3, 388, 999

3, 348, 478

40, 521

1. 21%

2. Based on the information above, briefly summarize the significant changes in long-term asset accounts, if any, which occurred during the most recent

year.

The most significant change was the change in other assets where Pentair Inc recorded an increase of 9.30 percent. Other changes recorded by the company include goodwill, intangibles, and net property, plant and equipment which were recorded as 1.02%, 0.45%, and 1.50% respectively. Generally, the company recorded a positive change in its long term assets which is a positive thing. However, the financial statements and notes to the financial statements of Pentair Inc do not disclose vital information such as accumulated depreciation. Instead, the company has computed the combined values which make it impossible to identify specific information.

3. Accounting policies related to long-term assets

a. Depreciation: Which depreciation method(s) does your firm use for financial reporting purposes? Check all that apply.

Straight-line method

Does your firm disclose the estimated useful lives that it assumes for depreciating its intangible fixed assets? If yes, describe them. NO

Does your firm report any intangible assets on the balance sheet? If yes, describe the policies, e. g., method and estimated life, your firm uses to compute amortization expense. YES. Pentair Inc uses the unit-of-activity method in the amortization of intangible assets such as patents. The company provides for an estimated useful life of five years ending in the year 2017.

Does your firm report any natural resource assets? If yes, describe the policies, e. g., method and estimated useful life, your firm uses to compute depletion expense. NO.

4. Does your firm own one or more subsidiaries? YES.

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a. If the answer to No. 4 was yes, determine whether all the subsidiaries are 100% wholly-owned. At least one subsidiary is less than 100 percent wholly-owned.

b. Did your firm report any investments in other firms on its balance sheet under the category of long-term investments? NO.

d. Did your firm acquire or dispose of any subsidiaries or investments in other firms during the most recent Year? YES.

If yes, describe the acquisitions or disposals that occurred. In April 2012, Pentair acquired Sibrape including its subsidiary at a cost estimated to be \$21.5 million. However, the company did not record any disposals during the same period.

5. Compute each of the four ratios above for the most recent year and enter the result in the first column below.

Pentair Inc.

COMPARATIVE FIRMS

Lennox Lincoln Snap-on Valmont Xylem

Depreciation and amortization to average long-term assets ratio

2. 8x

3. 2x

3. 1x

4. 5x

3. 9x

2. 1x

Long-term assets to total assets ratio

0. 8x

0. 2x

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0. 5x

0. 7x

0. 8x

0. 3x

Plant assets to total assets ratio

0. 5x

0. 4x

0. 6x

0. 4x

0. 4x

0. 5x

Sales to average plant assets ratio

2. 4x

2. 1x

3. 4x

3. 3x

4. 1x

3. 9x

How do your firms long-term asset ratios compare to those of your comparison firms? Are they high, low, about the same? Is there anything specific about your firm, its industry, or your comparison firms or industries that tend to explain the differences between your companys long-term asset ratios and those of the other firms? Discuss and explain.

Pentair's long-term ratios are almost the same to those of comparative firms.

This is because most of the ratios among the firms are within the same range. However, there are some slight differences between the ratios and

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this can be attributed to the difference in the sizes of the firms and how they manage their long-term assets. Bigger and well managed firms have higher long-term assets ratios compared to other firms.

In most cases, the size of a firm is measured by the level of its revenues or assets. In this case, we can measure the size of a firm using its size of assets and it is very easy to spot such firms using the ratios. For instance, Pentair has relatively more long-term assets compared to the other companies and this is evident from its 0.8x ratio which is the highest among all the companies.

Works Cited

Nikolai, Loren. Intermediate Accounting. Chicago: Cengage Learning, 2009.